



REDACTED – FOR PUBLIC INSPECTION

**VIA ECFS**

June 23, 2017

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

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**RE: Citizens Telephone Company – MO, SAC 421865  
Submission of FCC Form 481 Annual Report  
WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Citizens Telephone Company – MO (“the Company”), Study Area Code 421865, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Company’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Citizens Telephone Company – MO, by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.<sup>1</sup> The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Citizens Telephone Company – MO is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

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T (972) 387-4300  
F (972) 960-2810

8750 N. Central Expressway  
Suite 300  
Dallas, TX 75231

Assurance, tax, and consulting offered through  
Moss Adams LLP. Wealth management offered through  
Moss Adams Wealth Advisors LLC. Investment banking  
offered through Moss Adams Capital LLC.

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<sup>1</sup> *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).

Each page of the Company's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the Universal Service Administrative Company and with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff  
Authorized Representative for  
Citizens Telephone Company – MO

SP/kr

cc: Kathie Munson, Citizens Telephone Company – MO

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

|       |   |                      |
|-------|---|----------------------|
| <010> | Study Area Code   | 421865               |
| <015> | Study Area Name   | CITIZENS TEL CO - MO |
| <020> | Program Year  | 2018                 |
| <030> | Contact Name: Person USAC should contact with questions about this data         | Kathie Munson        |
| <035> | Contact Telephone Number:<br>Number of the person identified in data line <030> | 6605846527 ext.      |
| <039> | Contact Email Address:<br>Email of the person identified in data line <030>     | kmunson@ctcis.net    |
|       | Form Type   | 54.313 and 54.422    |

|       |   |                      |
|-------|---|----------------------|
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<210> For the prior calendar year, were there any reportable voice service outages? No

**(300) Unfulfilled Service Request  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

|       |   |                      |
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

0

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document

|  |  |
|--|--|
| (400) Number of Complaints per 1,000 customers<br>Data Collection Form | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
|--|--|

|       |  |                              |
|-------|--|------------------------------|
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| <015> | Study Area Name  | CITIZENS TEL CO - MO         |
| <020> | Program Year   | 2018                         |
| <030> | Contact Name - Person USAC should contact regarding this data  | Kathie Munson                |
| <035> | Contact Telephone Number - Number of person identified in data line <030>  | 6605846527 ext.              |
| <039> | Contact Email Address - Email Address of person identified in data line <030>  | kmunson@ctcis.net            |
| <400> | Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.       | Offered only fixed voice     |
| <410> | Complaints per 1000 customers for fixed voice  | 0 . 0                        |
| <420> | Complaints per 1000 customers for mobile voice   |                              |
| <430> | Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. | Offered only fixed broadband |
| <440> | Complaints per 1000 customers for fixed broadband  | 0 . 0                        |
| <450> | Complaints per 1000 customers for mobile broadband   |                              |

**(500) Compliance With Service Quality Standards and Consumer Protection Rules**  
**Data Collection Form**

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 July 2013

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| <030> | Contact Name - Person USAC should contact regarding this data                              | Kathie Munson        |
| <035> | Contact Telephone Number - Number of person identified in data line <030>                  | 6605846527 ext.      |
| <039> | Contact Email Address - Email Address of person identified in data line <030>              | kmunson@ctcls.net    |
| <500> | Certify compliance with applicable service quality standards and consumer protection rules | Yes                  |
| <510> | 421865MO510 .pdf   |                      |
| <515> | Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance  |                      |
| <515> | Certify compliance with applicable minimum service standards                               |                      |

**(600) Functionality in Emergency Situations**  
**Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

|       |   |                      |
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| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.      |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |
| <600> | Certify compliance regarding ability to function in emergency situations      | Yes                  |
| <610> | Descriptive document for Functionality in Emergency Situations                | 421865MO610.pdf      |





|       |   |                      |
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

-- See attached worksheet --

**(800) Operating Companies  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

|       |   |                                     |
|-------|---|-------------------------------------|
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| <030> | Contact Name - Person USAC should contact regarding this data                 | Kathie Munson                       |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.                     |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net                   |
| <810> | Reporting Carrier   | Citizens Telephone Company - MO     |
| <811> | Holding Company   | Citizens Communications Corporation |
| <812> | Operating Company   | Citizens Telephone Company          |

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

 FCC Form 481  
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 July 2013

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| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.      |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

&lt;900&gt; Does the filing entity offer tribal land services? (Y/N) No

&lt;910&gt; Tribal Land(s) on which ETC Serves

&lt;920&gt; Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

| Select<br>Yes or No or<br>Not Applicable |
|--|
|  |
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|  |

**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

|       |   |                      |
|-------|---|----------------------|
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 421865MO1010.pdf

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Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 421865MO1030.pdf

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Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

|       |   |                      |
|-------|---|----------------------|
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| <020> | Program Year  | 2018                 |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Kathie Munson        |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.      |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

&lt;1100&gt; Certify whether terrestrial backhaul options exist (Y/N)

Yes

&lt;1130&gt; Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

421865MO1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- |        |   |                                     |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan,  | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan.  | <input checked="" type="checkbox"/> |

**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

|       |   |                      |
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information



**(2005) Price Cap Carrier Additional Documentation****Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

|  |  |  |  |
|--|--|--|--|
| (3009)   | Progress Report on 5 Year Plan<br>Carrier certifies to 54.313(f)(1)(iii)   | Yes - Attach Certification                             |  |
| (3010A)  | Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}  | 421865MO3010.pdf                                       |  |
| (3010B)  | Please Provide Attachment  | Name of Attached Document Listing Required Information |  |
| (3012A)  | Community Anchor Institutions {47 CFR § 54.313(f)(1)(iii)}   | No - No New Community Anchors                          |  |
| (3012B)  | Please Provide Attachment  | Name of Attached Document Listing Required Information |  |
| (3013)   | Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}   | (Yes/No)   | <input checked="" type="radio"/> <input type="radio"/> |
| (3014)   | If yes, does your company file the RUS annual report   | (Yes/No)   | <input type="radio"/> <input checked="" type="radio"/> |
| Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: |  |  |  |
| (3015)   | Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)  |  | <input type="checkbox"/>                               |
| (3016)   | Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows   |  | <input type="checkbox"/>                               |
| (3017)   | If the response is yes on line 3014, attach your company's RUS annual report and all required documentation  | Name of Attached Document Listing Required Information |  |
| (3018)   | If the response is no on line 3014, is your company audited?   | (Yes/No)   | <input checked="" type="radio"/> <input type="radio"/> |
| If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:            |  |  |  |
| (3019)   | Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers  |  | <input checked="" type="checkbox"/>                    |
| (3020)   | Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows  |  | <input checked="" type="checkbox"/>                    |
| (3021)   | Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.   |  | <input checked="" type="checkbox"/>                    |
| If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:             |  |  |  |
| (3022)   | Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers |  | <input type="checkbox"/>                               |
| (3023)   | Underlying information subjected to a review by an independent certified public accountant   |  | <input type="checkbox"/>                               |
| (3024)   | Underlying information subjected to an officer certification.  |  | <input type="checkbox"/>                               |
| (3025)   | Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows   |  | <input type="checkbox"/>                               |
| (3026)   | Attach the worksheet listing required information  | Name of Attached Document Listing Required Information | 421865MO3026.pdf                                       |

|   |  |   |
|---|--|---|
| <b>(3005) Rate Of Return Carrier Additional Documentation (Continued)</b> |  | FCC Form 481  |
| <b>Data Collection Form</b>   |  | OMB Control No. 3060-0986/OMB Control No. 3060-0819 |
|   |  | July 2013   |

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**Financial Data Summary**

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



|       |   |                      |
|-------|---|----------------------|
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**4005 Rural Broadband Experiment**

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

**Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)**

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

**Community Anchor Institutions – FCC 14-98 (paragraph 79)**

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

**If yes to 4003A, please provide a response for 4003B.**

**4003b.** Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

**Broadband Deployment Locations – FCC 14-98 (paragraph 80)**

**4004a.** Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

**4004b.** Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier  
Data Collection Form**

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 July 2013

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

| Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients  |                                |
|---|--------------------------------|
| I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate. |                                |
| Name of Reporting Carrier:  |                                |
| Signature of Authorized Officer:  | Date                           |
| Printed name of Authorized Officer:   |                                |
| Title or position of Authorized Officer:  |                                |
| Telephone number of Authorized Officer:   |                                |
| Study Area Code of Reporting Carrier:   | Filing Due Date for this form: |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.  |                                |

**Certification - Agent / Carrier  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

|   |                      |
|---|----------------------|
| <010> Study Area Code   | 421865               |
| <015> Study Area Name   | CITIZENS TEL CO - MO |
| <020> Program Year  | 2018                 |
| <030> Contact Name - Person USAC should contact regarding this data                 | Kathie Munson        |
| <035> Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.      |
| <039> Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

| Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier  |  |
|--|--|
| I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate. |  |
| Name of Authorized Agent:  | <u>Moss Adams LLP</u>  |
| Name of Reporting Carrier:   | <u>CITIZENS TEL CO - MO</u>                                    |
| Signature of Authorized Officer:   | <u>CERTIFIED ONLINE</u> Date: <u>06/22/2017</u>                |
| Printed name of Authorized Officer:  | <u>Brian Cornelius</u>   |
| Title or position of Authorized Officer:   | <u>President</u>   |
| Telephone number of Authorized Officer:  | <u>6605842111 ext.</u>   |
| Study Area Code of Reporting Carrier:  | <u>421865</u> Filing Due Date for this form: <u>07/03/2017</u> |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.   |  |

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

| Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier   |  |
|--|--|
| I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate. |  |
| Name of Reporting Carrier:   | <u>CITIZENS TEL CO - MO</u>                                    |
| Name of Authorized Agent Firm:   | <u>Moss Adams LLP</u>  |
| Signature of Authorized Agent or Employee of Agent:  | <u>CERTIFIED ONLINE</u> Date: <u>06/22/2017</u>                |
| Name of Authorized Agent Employee:   | <u>Choua Her</u>   |
| Title or position of Authorized Agent or Employee of Agent   | <u>Consulting Senior</u>                                       |
| Telephone number of Authorized Agent or Employee of Agent:   | <u>2099556141 ext.</u>   |
| Study Area Code of Reporting Carrier:  | <u>421865</u> Filing Due Date for this form: <u>07/03/2017</u> |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.   |  |

## Attachments

|   |  |
|---|--|
| <b>(700) Price Offerings including Voice Rate Data</b><br><b>Data Collection Form</b> | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
|---|--|

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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|       |  |          |
|-------|--|----------|
| <701> | Residential Local Service Charge Effective Date    | 1/1/2017 |
| <702> | Single State-wide Residential Local Service Charge | 18.0     |

<703>

[illegible]



|   |  |
|---|--|
| <b>(710) Broadband Price Offerings</b><br><b>Data Collection Form</b> | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
|---|--|

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

|       |   |                      |
|-------|---|----------------------|
| <010> | Study Area Code   | 421865               |
| <015> | Study Area Name   | CITIZENS TEL CO - MO |
| <020> | Program Year  | 2018                 |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Kathie Munson        |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 6605846527 ext.      |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | kmunson@ctcis.net    |

[illegible]

|                           |   |
|---------------------------|---|
| (800) Operating Companies | FCC Form 481  |
| Data Collection Form      | OMB Control No. 3060-0986/OMB Control No. 3060-0819 |
|                           | July 2013   |

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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## **LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE**

Citizens Telephone Company (“the Company”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are outlined in its local exchange tariff, which is approved by the Missouri Public Service Commission (“Missouri PSC”). The tariff contains provisions regarding the Company’s customer service and protection practices.

Service quality standards for voice service are established by the Missouri PSC. The Company consistently meets or exceeds those standards and provides reports to the Missouri PSC, in accordance with the Missouri PSC’s rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Company. The Company also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Company to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

Finally, the Company has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011).

## **LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS**

Citizens Telephone Company (“the Company”) is able to remain functional in emergency situations for both voice and broadband service. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Back-up power is provided to the central office by use of a fixed generator and batteries that provide it with virtually unlimited hours of emergency power as long as fuel is available. In addition, the Company has battery back up at all office locations and in its electronic equipment sites and has a maintenance program in place as described in Section 4 CSR 240-28.060 of the Missouri Code of State Regulation. The Company has proper staff in place to repair any fiber cuts in a timely manner.

The Company also has connectivity with neighboring telephone exchanges as well as with the LATA tandem to provide diverse options to reroute traffic should an emergency arise. The Company has developed and trained its staff on network preparedness plans in case of emergency situations.

Lastly, the Company is prepared and capable of managing traffic spikes resulting from emergency situations and has developed procedures for employees to follow during emergency situations.

## **LINE 1010 – VOICE SERVICES RATE COMPARABILITY**

The Wireline Competition Bureau's 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge ("SLC").<sup>1</sup>

In all of the exchanges served by Citizens Telephone Company ("the Company"), as of January 1, 2017, the single-line residential local rate was \$18.00. When the federal SLC (\$6.50) is included, the total rate was \$24.50. Therefore, the Company's pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

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<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

## **LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY**

As of January 1, 2017, Citizens Telephone Company charges a residential rate of \$56.95 for broadband providing 10 Mbps download, 1 Mbps upload, and a 250 GB usage allowance. This rate is lower than \$77.37, which is the 2017 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.<sup>1</sup>

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<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

## **LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS**

Residential customers of Citizens Telephone Company (“the Company”) who qualify for the Lifeline Program can receive a monthly discount of \$15.75 (\$9.25 federal discount + \$6.50 state Lifeline discount) on local voice telephony service.

In all of the Company’s exchanges, the Lifeline single-line residential rate, including the federal subscriber line charge (“SLC”), is \$8.75 (\$24.50 standard rate - \$15.75 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Lifeline customers may subscribe to toll service offered by Citizens Long Distance at a non-discounted rate of \$.15/min. for interstate toll calls and \$.175 for intrastate toll calls. Lifeline customers may also choose another long distance carrier. Customers may also elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Additional information regarding the terms and conditions of voice telephony Lifeline plans can be found at <http://portal.ctcis.net/telephone/lifelineservice/>.

## **LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS**

Citizens Telephone Company (“the Company”) hereby certifies that the Company has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.



**Citizens Communications Corporation**

Independent Auditor's Reports and Consolidated  
Financial Statements With Supplementary Information

December 31, 2016 and 2015

# Citizens Communications Corporation

## December 31, 2016 and 2015

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## Independent Auditor's Report

To the Board of Directors  
Citizens Communications Corporation and Subsidiaries  
Higginsville, Missouri

We have audited the accompanying consolidated financial statements of Citizens Communications Corporation (a Missouri corporation), which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Citizens Communications Corporation and Subsidiaries  
Page 2

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Communications Corporation and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors***

The 2015 consolidated financial statements were audited by other auditors and their report thereon, dated March 11, 2016, expressed an unmodified opinion.

*BKD, LLP*

West Des Moines, Iowa  
March 2, 2017

**Citizens Communications Corporation**  
**Consolidated Balance Sheets**  
**December 31, 2016 and 2015**


|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| <b>Assets</b>                          |             |             |
| <b>Current Assets</b>                  |             |             |
| Cash and cash equivalents              |             |             |
| Temporary investments                  |             |             |
| Accounts receivable:                   |             |             |
| Due from customers                     |             |             |
| Interexchange carriers                 |             |             |
| Other                                  |             |             |
| Interest receivable                    |             |             |
| Materials and supplies at average cost |             |             |
| Prepayments                            |             |             |
| <b>Other Noncurrent Assets</b>         |             |             |
| CoBank equity certificates             |             |             |
| Long-term investments                  |             |             |
| Other investments                      |             |             |
| Cash surrender value of life insurance |             |             |
| Other noncurrent assets                |             |             |
| Intangibles, net of amortization       |             |             |
| <b>Property, Plant and Equipment</b>   |             |             |
| Telephone plant in service             |             |             |
| Video plant in service                 |             |             |
| <br>Less accumulated depreciation      |             |             |
| <br>Plant under construction           |             |             |
| <b>Total Assets</b>                    |             |             |

|  | 2016 | 2015 |
|--|------|------|
| <b>Liabilities and Stockholders' Equity</b>  |      |      |
| <b>Current Liabilities</b>   |      |      |
| Accounts payable   |      |      |
| Advance billing and payments   |      |      |
| Customer deposits  |      |      |
| Other  |      |      |
| <b>Stockholders' Equity</b>  |      |      |
| Common stock - \$1 par value, [REDACTED] shares authorized, [REDACTED] shares issued |      |      |
| Additional paid-in capital   |      |      |
| Unearned ESOP shares   |      |      |
| Accumulated Other Comprehensive Income:  |      |      |
| Unrealized gains on certain investments  |      |      |
| Retained earnings  |      |      |
| Treasury stock at cost, [REDACTED] and [REDACTED] shares, respectively               |      |      |
| <b>Total Liabilities and Stockholders' Equity</b>                                    |      |      |

**Citizens Communications Corporation**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2016 and 2015**

|  | 2016 | 2015 |
|--|------|------|
| <b>Operating Revenues</b>                |      |      |
| Local network services                   |      |      |
| Network access services                  |      |      |
| Long distance services                   |      |      |
| Internet, equipment sales and rentals    |      |      |
| Video services                           |      |      |
| Miscellaneous revenue                    |      |      |
| <b>Operating Expenses</b>                |      |      |
| Plant specific operations                |      |      |
| Plant nonspecific operations             |      |      |
| Cost of sales and services               |      |      |
| Cost of video services                   |      |      |
| Depreciation and amortization            |      |      |
| Customer operations                      |      |      |
| Corporate operations                     |      |      |
| General taxes                            |      |      |
| <b>Operating Loss</b>                    |      |      |
| <b>Other Income (Expense)</b>            |      |      |
| Interest and dividend income             |      |      |
| Impairment of Landover investment        |      |      |
| Other                                    |      |      |
| Interest expense                         |      |      |
| <b>Income (Loss) Before Income Taxes</b> |      |      |
| <b>Income Taxes</b>                      |      |      |
| <b>Net Income</b>                        |      |      |

**Citizens Communications Corporation**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2016 and 2015**

|   | <u>2016</u>   | <u>2015</u> |
|---|---|-------------|
| <b>Net Income</b>   |  |             |
| <b>Other comprehensive income, net of tax:</b>              |   |             |
| Unrealized gains (losses) on securities:                    |   |             |
| Unrealized holding gains (losses) arising during the period |   |             |
| <b>Comprehensive Income</b>                                 |   |             |



**Citizens Communications Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2016 and 2015**

|                                  | Common Stock |        | Additional | Unearned |
|----------------------------------|--------------|--------|------------|----------|
|                                  | Shares       | Amount | Paid-in    | ESOP     |
|                                  |              |        | Capital    | Shares   |
| Balance at December 31, 2014     |              |        |            |          |
| Net income                       |              |        |            |          |
| Dividends paid                   |              |        |            |          |
| Purchase of treasury stock       |              |        |            |          |
| ESOP shares released             |              |        |            |          |
| Unrealized losses on securities: |              |        |            |          |
| Unrealized holding losses        |              |        |            |          |
| arising during the period        |              |        |            |          |
| Balance at December 31, 2015     |              |        |            |          |
| Net income                       |              |        |            |          |
| Dividends paid                   |              |        |            |          |
| ESOP shares released             |              |        |            |          |
| Unrealized gains on securities:  |              |        |            |          |
| Unrealized holding gains         |              |        |            |          |
| arising during the period        |              |        |            |          |
| Balance at December 31, 2016     |              |        |            |          |



# Citizens Communications Corporation

## Consolidated Statements of Cash Flows

### Years Ended December 31, 2016 and 2015

|  | 2016 | 2015 |
|--|------|------|
| <b>Operating Activities</b>  |      |      |
| Net income   |      |      |
| Adjustments to reconcile net income  |      |      |
| to net cash provided by operating activities:                              |      |      |
| Depreciation and amortization  |      |      |
| Regulatory liability   |      |      |
| Patronage distributions received from business conducted with cooperatives |      |      |
| Equity income in unconsolidated affiliates                                 |      |      |
| Distributions received from unconsolidated affiliates                      |      |      |
| (Increase) decrease in cash surrender value of life insurance              |      |      |
| Realized gain on sale of available-for-sale investments                    |      |      |
| Impairment of Landover investment  |      |      |
| Noncash compensation expense (ESOP)  |      |      |
| Changes in assets and liabilities:   |      |      |
| (Increase) Decrease in:  |      |      |
| Receivables  |      |      |
| Materials and supplies   |      |      |
| Prepayments  |      |      |
| Increase (Decrease) in:  |      |      |
| Accounts payable   |      |      |
| Other  |      |      |
| Net cash provided by operating activities                                  |      |      |
| <b>Investing Activities</b>  |      |      |
| Capital expenditures   |      |      |
| Purchase of other investments  |      |      |
| Proceeds from sale of investments  |      |      |
| Salvage, net of cost of removing plant                                     |      |      |
| ANPI stock redemption  |      |      |
| Net cash provided by (used in) investing activities                        |      |      |
| <b>Financing Activities</b>  |      |      |
| Dividends paid   |      |      |
| Purchase of treasury stock   |      |      |
| Repayment of loan from ESOP  |      |      |
| Net cash used in financing activities                                      |      |      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                |      |      |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                      |      |      |
| <b>Cash and Cash Equivalents at End of Year</b>                            |      |      |

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 1: Summary of Significant Accounting Policies**

***Basis of Presentation***

Citizens Communications Corporation and subsidiaries (herein referred to as "the Company") are providers of telecommunications exchange and local access services, long distance, internet, video and telecommunications equipment in a service area located in west central Missouri.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through March 2, 2017, the date the financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the parent company, Citizens Communications Corporation, and its 100%-owned subsidiaries, Citizens Telephone Company, Citizens Long Distance Company and Citizens Cablevision. All material intercompany transactions have been eliminated in consolidation.

***Cash Equivalents***

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

***Accounts Receivable***

Receivables are reported at the amounts the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

# Citizens Communications Corporation

## Notes to Consolidated Financial Statements

### December 31, 2016 and 2015

#### ***Investments***

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the average cost method of computing realized gains and losses.

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments are stated at cost.

#### ***Intangibles***

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

#### ***Property, Plant and Equipment***

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the Missouri Public Service Commission. These estimates are subject to change in the near term.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

|                                      |             |
|--------------------------------------|-------------|
| Buildings                            | 35 years    |
| Furniture and office equipment       | 8-14 years  |
| Central office and circuit equipment | 5-10 years  |
| Buried plant                         | 15-28 years |
| Customer premise equipment           | 5 years     |

Renewals and betterments of units of property are charged to plant in service. When plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are included in plant specific operations expense.

Repairs of other property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

# Citizens Communications Corporation

## Notes to Consolidated Financial Statements

### December 31, 2016 and 2015

#### ***Long-Lived Assets***

The Company would provide for impairment losses on long-lived assets when no longer cost of service regulated, indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

#### ***Income Taxes***

The Company has elected S corporation status. Income and losses are no longer taxable at the corporate level. Accordingly, the Company will not incur income tax obligations except on income related to excess passive income.

#### ***Employee Stock Ownership Plan***

Employee benefit expense associated with ESOP is recognized using fair value of ESOP shares committed to be released during the year.

#### ***Revenue Recognition***

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service, video and internet revenues are recognized over the period a subscriber is connected to the network.

Network access revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed based on an individual company tariff access charge structure approved by the state regulatory authority. The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Revenues from network access and long distance services were increased (decreased) by [REDACTED] in 2016 and 2015, respectively, as a result of adjustments to prior years' estimates.

Other revenues include contractually determined arrangements for the provision of billing and collecting services and are recognized in the period when the services are performed.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
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***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expenses were [REDACTED] in 2016 and 2015, respectively.

***Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1    Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2    Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3    Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

***Reclassifications***

Certain reclassifications have been made to the 2015 consolidated financial statements to conform with the 2016 presentation.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 2: Securities Investments**

The amortized cost and fair value of available-for-sale securities are:

|  | <u>Amortized<br/>Cost</u> | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|--|---------------------------|---------------------------------------|--|-----------------------|
| <u>December 31, 2016:</u>                  |                           |                                       |  |                       |
| Available-for-sale equity securities:      |                           |                                       |  |                       |
| Consumer goods                             |                           |                                       |  |                       |
| Services                                   |                           |                                       |  |                       |
| Basic materials                            |                           |                                       |  |                       |
| Technology                                 |                           |                                       |  |                       |
| Healthcare                                 |                           |                                       |  |                       |
| Industrial goods                           |                           |                                       |  |                       |
| Utilities                                  |                           |                                       |  |                       |
| Financial                                  |                           |                                       |  |                       |
| Total available-for-sale equity securities |                           |                                       |  |                       |
| Available-for-sale debt securities:        |                           |                                       |  |                       |
| Corporate bonds                            |                           |                                       |  |                       |
| Government bonds                           |                           |                                       |  |                       |
| Government asset                           |                           |                                       |  |                       |
| Backed securities                          |                           |                                       |  |                       |
| Total available-for-sale debt securities   |                           |                                       |  |                       |
| Total                                      |                           |                                       |  |                       |
| Amounts included in:                       |                           |                                       |  |                       |
| Temporary investments                      |                           |                                       |  |                       |
| Long-term investments                      |                           |                                       |  |                       |
| Total                                      |                           |                                       |  |                       |



**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

|  | <u>Amortized<br/>Cost</u> | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|--|---------------------------|---------------------------------------|--|-----------------------|
| <u>December 31, 2015:</u>                  |                           |                                       |  |                       |
| Available-for-sale equity securities:      |                           |                                       |  |                       |
| Consumer goods                             |                           |                                       |  |                       |
| Services                                   |                           |                                       |  |                       |
| Basic materials                            |                           |                                       |  |                       |
| Technology                                 |                           |                                       |  |                       |
| Healthcare                                 |                           |                                       |  |                       |
| Industrial goods                           |                           |                                       |  |                       |
| Utilities                                  |                           |                                       |  |                       |
| Financial                                  |                           |                                       |  |                       |
| Total available-for-sale equity securities |                           |                                       |  |                       |
| Available-for-sale debt securities:        |                           |                                       |  |                       |
| Corporate bonds                            |                           |                                       |  |                       |
| Government bonds                           |                           |                                       |  |                       |
| Government asset                           |                           |                                       |  |                       |
| Backed securities                          |                           |                                       |  |                       |
| Total available-for-sale debt securities   |                           |                                       |  |                       |
| Total                                      |                           |                                       |  |                       |
| Amounts included in:                       |                           |                                       |  |                       |
| Temporary investments                      |                           |                                       |  |                       |
| Long-term investments                      |                           |                                       |  |                       |
| Total                                      |                           |                                       |  |                       |

Management evaluates the need for recording an other than temporary impairment for these investments annually. Based on the nature and financial information available for each individual investment, the length of time and extent of its fair value being below cost (generally less than twelve months at December 31, 2016) and the Company's ability and intent to hold the investments for a sufficient time to allow for the recovery of the cost of the investment, an other than temporary impairment has not been recognized as of December 31, 2016 and 2015.

The gross realized gains and losses on sales of available-for-sale securities totaled [REDACTED] and [REDACTED] in 2016 and 2015, respectively.

Investments measured at fair value are valued at Level 1 in the fair value hierarchy.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

The change in net unrealized holding gains (losses) on available-for-sale securities included as a separate component of comprehensive income before tax totaled [REDACTED] and [REDACTED] in 2016 and 2015, respectively.

**Note 3: Cost and Equity Method Investments**

At December 31, 2016 and 2015, the Company has a [REDACTED] ownership in MNA Holdings, LLC. This investment is accounted for by the equity method. For the investments [REDACTED] and [REDACTED] at December 31, 2016 and 2015, respectively) accounted for under the equity method, the Company recognizes its proportionate share of the income and losses accruing to it under the terms of its partnership agreements.

The following is a summary of condensed financial information pertaining to the investment described above:

|             | December 31, |      |
|-------------|--------------|------|
|             | 2016         | 2015 |
| Assets      | [REDACTED]   |      |
| Liabilities |              |      |
| Equity      |              |      |
| Revenues    |              |      |
| Expenses    |              |      |
| Net Income  |              |      |
|             |              |      |
|             |              |      |
|             |              |      |
|             |              |      |

Because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs, management has determined it is not practical to estimate the fair value of these investments. However, management believes that the carrying amount of these investments at December 31, 2016, included in other investments is not impaired.

**Note 4: Intangibles**

Intangible assets at December 31 consist of the following:

|                       | 2016         |                          | 2015         |                          |
|-----------------------|--------------|--------------------------|--------------|--------------------------|
|                       | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Amortized Intangibles | [REDACTED]   |                          |              |                          |
| Customer base         |              |                          |              |                          |

Amortization expense was [REDACTED] and [REDACTED] for the years ended December 31, 2016 and 2015, respectively.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

Estimated amortization expense for the next five years is:

2017  
2018  
2019  
2020  
2021



The Company's future cash flows are not materially impacted by its ability to extend or renew agreements related to its amortizable intangible assets.

The Company annually assesses its recorded balances of indefinite lived intangible assets for impairment. The fair value of indefinite lived intangibles is based on Level 3 inputs of the fair value hierarchy. As a result, the Company determined no impairment needed to be recorded for the years ended December 31, 2016 and 2015.

**Note 5: Property, Plant and Equipment**

Property, plant and equipment includes the following:

|                                     | 2016 | 2015 |
|-------------------------------------|------|------|
| Telephone plant in service:         |      |      |
| Land                                |      |      |
| Buildings                           |      |      |
| Furniture and office equipment      |      |      |
| Vehicles and work equipment         |      |      |
| Central office assets               |      |      |
| Cable and wire facilities           |      |      |
| Other plant and equipment           |      |      |
| Subtotal                            |      |      |
| Video plant in service:             |      |      |
| Land                                |      |      |
| Buildings                           |      |      |
| Vehicles and work equipment         |      |      |
| Cable and wire facilities           |      |      |
| Head end equipment                  |      |      |
| Set top boxes                       |      |      |
| Subtotal                            |      |      |
| Total property, plant and equipment |      |      |

Depreciation on depreciable property resulted in composite rates of [REDACTED] and [REDACTED] for 2016 and 2015, respectively.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

Depreciation expense was [REDACTED] and [REDACTED] for the years ending December 31, 2016 and 2015, respectively.

**Note 6: Income Taxes**

Income taxes reflected in the Consolidated Statements of Income consist of the following:

|                                    | 2016 | 2015 |
|------------------------------------|------|------|
| Federal income taxes:              |      |      |
| Deferred tax expense (benefit)     |      |      |
| State income taxes:                |      |      |
| Deferred tax expense (benefit)     |      |      |
| Total income tax expense (benefit) |      |      |

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of S Corporation status.

At December 31, 2015, the Company determined that the deferred taxes associated with the assets owned at the date of the S Corporation election (1-1-1999) have approximately the same basis for financially accounting purposes and income tax purposes. Further, since the date of the S election, the state of regulatory environment has changed significantly and most revenues are now determined by federal regulators as opposed to the state regulatory authorities which existed at the time of the S election. Accordingly, there is no longer a need for a regulatory liability. At December 31, 2015, that liability was reduced to [REDACTED]

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2016.

The Company's federal and state income tax returns for years 2013 to present remain subject to examination.

**Note 7: Employee Stock Ownership Plan**

The Company sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who work 1,000 or more hours a year and are employed on the last day of the year. In connection with a plan to diversify a portion of the employees' retirement accounts and facilitate the retirement of two employees, the Company loaned the ESOP [REDACTED] during 2002. The Company makes annual wage base contributions and contributions necessary to service the debt. The ESOP shares are pledged as collateral under the security agreement. As the debt is repaid, shares are released from collateral and allocated to active employees based upon the proportion of debt service paid during the year.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

The Company accounts for its ESOP in accordance with FASB Accounting Standards Codification 718. Unearned ESOP represents the cost of unreleased shares. As shares are released from collateral over the term of the related obligation, the Company reports benefit expense equal to the current market price of the shares. Using Level 3 inputs, market prices are determined primarily using market capitalization and discounted cash flow approaches. The same methods used in 2016 were used for prior valuations. ESOP compensation expense for the years ended December 31, 2016 and 2015, totaled [REDACTED] and [REDACTED] respectively. For the plan year 2015, the retirement plan documents were amended to allow the employees a one-time option to diversify some of their allocated shares up to certain limits per the plan amendment. During 2015, [REDACTED] shares were redeemed for this purpose. The ESOP shares as of December 31 were as follows:

|  | 2016 | 2015 |
|--|------|------|
| Allocated shares                               |      |      |
| Shares released for allocation                 |      |      |
| Unreleased shares                              |      |      |
| Total ESOP shares                              |      |      |
| Fair value of unreleased shares at December 31 |      |      |

The ESOP plan contains a provision which allows the retired employees the option to redeem their shares with the plan sponsor at its market value if exercised within 60 days after retirement. At December 31, 2016, the Company estimates its repurchase obligation on allocated shares and shares committed to be released at approximately [REDACTED]

\* Calculated based upon most recent valuation.

**Note 8: Concentrations of Credit Risk**

The Company grants credit to local service customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 9: Regulatory Accounting**

The Company follows the accounting for regulated enterprises prescribed by Financial Accounting Standards Board Codification 980 "Regulated Operations". In general, companies depreciate plant and equipment over lives approved by regulators which may extend beyond the assets' actual economic and technological lives. They also defer certain costs and obligations based upon approvals received from regulators to permit recovery in the future. Consequently, the recorded net book value of certain assets and liabilities, primarily telephone plant and equipment, may be greater than that which would otherwise be recorded by unregulated enterprises. On an ongoing basis, the Company reviews the continued applicability of Codification 980 based on the current regulatory and competitive environment. Although recent developments suggest that the telecommunications industry will become increasingly competitive, the degree to which cost of service regulatory oversight of local-exchange carriers, including the Company, will be lifted and competition will be permitted to establish the cost of service to the consumer is uncertain. As a result, the Company continues to believe that accounting under Codification 980 is appropriate. If the Company was to determine that the use of Codification 980 was no longer appropriate, it would be required to write off the deferred costs and obligations referred to above. It may also be necessary for the Company to reduce the carrying value of its plant and equipment to the extent that it exceeds fair market value. At this time, it is not possible to estimate the amount of the Company's plant and equipment, if any, that would be considered unrecoverable in such circumstances. The financial impact of such a determination, however, which would be noncash, could be material.

**Note 10: Regulatory Matters**

The Company received [REDACTED] of its 2016 revenues from access revenues and assistance provided by the Federal Universal Service Fund (USF). As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for the establishment of a Mobility Fund to replace current USF mechanisms with a cap on the total fund. Wireless carrier USF support payments are being phased out over a five-year period beginning July 1, 2012. During 2014, the Mobility Fund did not become operational. This resulted in the phase-down being suspended and support funds continuing at current levels until further notice.

The Company was not eligible to elect A-CAM support, and therefore will remain a legacy rate-of-return carrier. The amount of support that will be received is not certain due to constraints on the FCC's budget.

Whether a rate-of-return carrier chooses model-based support or remains on legacy mechanisms, it will be required to meet service obligations, adhere to reporting obligations, and retain records.

**Citizens Communications Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 11: Commitments and Contingencies**

The Company is involved in certain contractual disputes in the ordinary course of business. As of December 31, 2016, the Company has not recorded any provision for a liability related to these disputes.

**Note 12: Subsequent Events**

On January 23, 2017, the Company cashed out ■ life insurance policies of retired employees for ■

## **Consolidating Supplementary Information**



## Independent Auditor's Report on Consolidating Supplementary Information

To the Board of Directors  
Citizens Communications Corporation and Subsidiaries  
Higginsville, Missouri

Our audit was conducted for the purpose of forming an opinion on the 2016 consolidated financial statements as a whole. The consolidating balance sheet and income statement are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BKD, LLP*

West Des Moines, Iowa  
March 2, 2017

# Citizens Communications Corporation

## Consolidating Balance Sheet

### December 31, 2016

|  | <u>Citizens<br/>Communi-<br/>cations<br/>Corporation</u> | <u>Citizens<br/>Telephone<br/>Company</u> | <u>Citizens<br/>Long<br/>Distance<br/>Company</u> | <u>Citizens<br/>Cablevision</u> | <u>Intercompany<br/>Eliminations</u> | <u>Consolidated</u> |
|--|--|---|---|---------------------------------|--------------------------------------|---------------------|
| <b>Current Assets</b>                  |  |   |   |                                 |                                      |                     |
| Cash and cash equivalents              |  |   |   |                                 |                                      |                     |
| Temporary investments                  |  |   |   |                                 |                                      |                     |
| Accounts receivable:                   |  |   |   |                                 |                                      |                     |
| Due from customers                     |  |   |   |                                 |                                      |                     |
| Interexchange carriers                 |  |   |   |                                 |                                      |                     |
| Affiliates                             |  |   |   |                                 |                                      |                     |
| Interest receivable                    |  |   |   |                                 |                                      |                     |
| Materials and supplies at average cost |  |   |   |                                 |                                      |                     |
| Prepayments                            |  |   |   |                                 |                                      |                     |
| <b>Other Noncurrent Assets</b>         |  |   |   |                                 |                                      |                     |
| Investment in affiliates               |  |   |   |                                 |                                      |                     |
| CoBank equity certificates             |  |   |   |                                 |                                      |                     |
| Long-term investments                  |  |   |   |                                 |                                      |                     |
| Other investments                      |  |   |   |                                 |                                      |                     |
| Cash surrender value of life insurance |  |   |   |                                 |                                      |                     |
| Other noncurrent assets                |  |   |   |                                 |                                      |                     |
| Intangibles, net of amortization       |  |   |   |                                 |                                      |                     |
| <b>Property, Plant and Equipment</b>   |  |   |   |                                 |                                      |                     |
| Telephone plant in service             |  |   |   |                                 |                                      |                     |
| Video plant in service                 |  |   |   |                                 |                                      |                     |
| Less accumulated depreciation          |  |   |   |                                 |                                      |                     |
| Plant under construction               |  |   |   |                                 |                                      |                     |
| <b>Total Assets</b>                    |  |   |   |                                 |                                      |                     |

|  | <u>Citizens<br/>Communi-<br/>cations<br/>Corporation</u> | <u>Citizens<br/>Telephone<br/>Company</u> | <u>Citizens<br/>Long<br/>Distance<br/>Company</u> | <u>Citizens<br/>Cablevision</u> | <u>Intercompany<br/>Eliminations</u> | <u>Consolidated</u> |
|--|--|---|---|---------------------------------|--------------------------------------|---------------------|
| <b>Current Liabilities</b>                 |  |   |   |                                 |                                      |                     |
| Accounts payable:                          |  |   |   |                                 |                                      |                     |
| Affiliates                                 |  |   |   |                                 |                                      |                     |
| Accounts payable                           |  |   |   |                                 |                                      |                     |
| Advance billing and payments               |  |   |   |                                 |                                      |                     |
| Customer deposits                          |  |   |   |                                 |                                      |                     |
| Other                                      |  |   |   |                                 |                                      |                     |
| <b>Stockholders' Equity</b>                |  |   |   |                                 |                                      |                     |
| Common stock - \$1 par value,              |  |   |   |                                 |                                      |                     |
| [REDACTED] shares authorized,              |  |   |   |                                 |                                      |                     |
| [REDACTED] shares issued                   |  |   |   |                                 |                                      |                     |
| Common stock - no par value,               |  |   |   |                                 |                                      |                     |
| [REDACTED] shares authorized, [REDACTED]   |  |   |   |                                 |                                      |                     |
| shares issued                              |  |   |   |                                 |                                      |                     |
| Common stock - no par value,               |  |   |   |                                 |                                      |                     |
| [REDACTED] shares authorized, [REDACTED]   |  |   |   |                                 |                                      |                     |
| shares issued                              |  |   |   |                                 |                                      |                     |
| Common stock - no par value,               |  |   |   |                                 |                                      |                     |
| [REDACTED] shares authorized, [REDACTED]   |  |   |   |                                 |                                      |                     |
| shares issued                              |  |   |   |                                 |                                      |                     |
| Additional paid-in capital                 |  |   |   |                                 |                                      |                     |
| Unearned ESOP shares                       |  |   |   |                                 |                                      |                     |
| Accumulated Other Comprehensive            |  |   |   |                                 |                                      |                     |
| Income:                                    |  |   |   |                                 |                                      |                     |
| Unrealized gains on certain                |  |   |   |                                 |                                      |                     |
| investments                                |  |   |   |                                 |                                      |                     |
| Retained earnings                          |  |   |   |                                 |                                      |                     |
| Treasury stock                             |  |   |   |                                 |                                      |                     |
| <b>Total Liabilities and Stockholders'</b> |  |   |   |                                 |                                      |                     |
| <b>Equity</b>                              |  |   |   |                                 |                                      |                     |

**Citizens Communications Corporation**  
**Consolidating Statement of Income**  
**Year Ended December 31, 2016**

|   | <u>Citizens<br/>Communi-<br/>cations<br/>Corporation</u> | <u>Citizens<br/>Telephone<br/>Company</u> | <u>Citizens<br/>Long<br/>Distance<br/>Company</u> | <u>Citizens<br/>Cablevision</u> | <u>Intercompany<br/>Eliminations</u> | <u>Consolidated</u> |
|---|--|---|---|---------------------------------|--------------------------------------|---------------------|
| <b>Operating Revenues</b>                                   |  |   |   |                                 |                                      |                     |
| Local network services                                      |  |   |   |                                 |                                      |                     |
| Network access services                                     |  |   |   |                                 |                                      |                     |
| Long distance services                                      |  |   |   |                                 |                                      |                     |
| Internet, equipment sales and rentals                       |  |   |   |                                 |                                      |                     |
| Video services  |  |   |   |                                 |                                      |                     |
| Miscellaneous revenue                                       |  |   |   |                                 |                                      |                     |
| <b>Operating Expenses</b>                                   |  |   |   |                                 |                                      |                     |
| Plant specific operations                                   |  |   |   |                                 |                                      |                     |
| Plant nonspecific operations                                |  |   |   |                                 |                                      |                     |
| Cost of video services                                      |  |   |   |                                 |                                      |                     |
| Cost of sales and services                                  |  |   |   |                                 |                                      |                     |
| Depreciation  |  |   |   |                                 |                                      |                     |
| Customer operations   |  |   |   |                                 |                                      |                     |
| Corporate operations  |  |   |   |                                 |                                      |                     |
| General taxes   |  |   |   |                                 |                                      |                     |
| <b>Operating Income (Loss)</b>                              |  |   |   |                                 |                                      |                     |
| <b>Other Income (Expense)</b>                               |  |   |   |                                 |                                      |                     |
| Interest and dividend income                                |  |   |   |                                 |                                      |                     |
| Other   |  |   |   |                                 |                                      |                     |
| Interest expense  |  |   |   |                                 |                                      |                     |
| <b>Income (Loss) Before Equity Loss of<br/>Subsidiaries</b> |  |   |   |                                 |                                      |                     |
| <b>Equity Loss of Subsidiaries</b>                          |  |   |   |                                 |                                      |                     |
| <b>Net Income (Loss)</b>                                    |  |   |   |                                 |                                      |                     |